

## Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SEC-03 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01

USIA-15 DRC-01 /195 W

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R 161341Z SEP 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 3921

INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE TEL AVIV 5319

E O 11652: N/A

TAGS: EFIN, IS

SUBJECT: ISRAEL-BRITISH BANK LTD. FAILURE

REF: TEL AVIV 5183

1. FIVE U.S. BANKERS (FROM NORTH CAROLINA NATIONAL BANK, UNITED CALIFORNIA BANK, HARRIS TRUST AND SAVINGS BANK, AND FIRST WISCONSIN NATIONAL BANK) LEFT ISRAEL SEPTEMBER 15 AFTER SERIES OF MEETINGS WITH ISRAELI OFFICIALS AIMED AT RECOVERING DEPOSITS WITH LONDON SUBSIDIARY OF IBB. GROUP MET WITH GOVERNOR SANBAR OF BANK OF ISRAEL AND OTHER BOI OFFICIALS, AND AFTER CONSIDERABLE EFFORT BY EMBASSY WAS ABLE TO OBTAIN AN APPOINTMENT WITH MINISTER OF FINANCE RABINOWITZ JUST BEFORE THEIR DEPARTURE ON SUNDAY MORNING. AT EMB'S SUGGESTION GROUP ALSO HELD DISCUSSIONS WITH INFLUENTIAL ISRAELI BANKERS OUTSIDE OF GOVERNMENT. GROUP DEPARTED TEL AVIV FOR LONDON WHERE THEY WILL RESUME DISCUSSIONS WITH BANK OF ENGLAND.

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2. WE UNDERSTAND THAT "LIQUIDATOR" OF IBB LONDON, A PRICE

WATERHOUSE OFFICER APPOINTED BY BANK OF ENGLAND, WAS IN ISRAEL FOR DISCUSSIONS LAST WEEK. SANBAR REPORTEDLY FLEW TO LONDON THIS PAST WEEKEND TO CONTINUE DISCUSSION OF POSSIBLE SOLUTION INVOLVING BOI, BANK OF ENGLAND AND PROSPECTIVE CANADIAN BUYER OF IBB ASSETS.

3. COMMENT: WE UNDERSTAND THAT TALKS HERE WENT FAIRLY WELL, ALTHOUGH THERE WAS SOME GRUMBLING BY ISRAELI OFFICIALS THAT U.S. BANKERS WERE "TOO AGGRESSIVE". U.S. BANKERS TOLD US THAT THEY HAD MADE POINT THAT THEY DID NOT BELIEVE BOI HAD BEEN SUFFICIENTLY CAREFUL AND RESPONSIVE IN DEALING WITH IBB OVER LAST FEW YEARS, IN LIGHT OF INFO NOW AVAILABLE, BUT HAD MADE CLEAR THAT THEY WERE FLEXIBLE AS TO A SOLUTION INCLUDING REPAYMENT OVER A NUMBER OF YEARS. IN EMB'S VIEW, GOI IS CONCERNED ABOUT POSSIBILITY OF ISRAEL GETTING BAD NAME WITHIN INTERNATIONAL BANKING COMMUNITY AND IS WORKING HARD TO FIND A SATISFACTORY SOLUTION. HOWEVER, MAGNITUDE OF IBB LONDON'S LOSSES, WHICH SOME SAY MAY EXCEED DOLS 100 MILLION, HAS CAUSED GOI TO ADOPT A VERY CAUTIOUS ATTITUDE. ACTION REQUESTED: PLEASE CONFIRM WHETHER U.S. FEDERAL RESERVE RECENTLY RULED THAT THERE IS NO CENTRAL BANK RESPONSIBILITY FOR LOSSES OF A FOREIGN SUBSIDIARY IF BOTH SUBSIDIARY AND PARENT BANK GO INTO BANKRUPTCY. THIS ALLEGED RULING WAS CITED BY ISRAELIS IN THEIR DISCUSSIONS LAST WEEK WITH U.S. BANKERS.

VELIOTES

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BLOCKED ASSETS, BANKS, BANKRUPTCIES, LOANS, VISITS, BANKERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 SEP 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Subject:** ISRAEL-BRITISH BANK LTD. FAILURE  
**TAGS:** EFIN, IS, US, ISRAEL-BRITISH BANK LTD  
**To:** STATE  
**Type:** TE  
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